LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 7173
BILL NUMBER: HB 1231

DATE PREPARED: Jan 27, 2000
BILL AMENDED: Jan 26, 2000

SUBJECT: Professional sports and convention areas.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill makes changes regarding the Professional Sports and Convention Development Tax Area law applicable outside Marion County to require that at least one facility must be used by a professional sports franchise (this requirement does not apply to a tax area located in Fort Wayne), that facilities for convention or tourism related events must serve national or regional markets, and that an agreement must exist regarding tax distributions if there is a mix of facility owners. It eliminates food and beverage taxes as "covered taxes" that are deposited in the Professional Sports and Convention Development Area Fund. It provides that only those covered taxes attributable to the convention or sports related facilities may be allocated to the Fund.

The bill allows the governing body of a school corporation to establish as part of a professional sports and convention development area a facility owned by a county building authority. It expands the types of facilities that may be included in an area and requires that a professional sports facility be included in Allen, Elkhart, Lake, St. Joseph, Vanderburgh, and Vigo counties. It also limits the designation of areas to one per county.

Effective Date: July 1, 2000.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) This bill provides that a facility used by a professional sports franchise or for convention and tourism related events may be included in a Professional Sports and Convention Development Area (PSCDA) if it is owned by a local building authority. Under current law, a PSCDA may include only facilities owned by a city, a county, a school corporation, a local capital improvement board, a civic center's board of directors in South Bend and Mishawaka, or the Building Authority in Gary. This provision would allow facilities that would otherwise not be eligible for inclusion to be incorporated into the area. It is not known how many existing facilities would be affected, and the precise impact of future development cannot be determined.

PSCDAs are special zones in which certain state and local tax revenues earned in the area are diverted and deposited into a special fund. This fund is dedicated for capital improvement in the development area. The taxes from which revenue may be captured in PSCDAs are the Gross Retail Tax, the Individual Adjusted Gross Income Tax, local food and beverage taxes, and local option income taxes. If additional facilities owned by local building authorities were included in PSCDAs, more state revenue could be diverted into PSCDA funds. However, the amount of state revenue which may be captured is currently limited to $5 for each resident of the establishing unit, and any collections in excess of the maximum allowed would be realized as normal collections.

The bill would also allow the governing body of a school corporation to establish PSCDAs (only city and county legislative bodies may do so under current law). As of November 1999, there were PSCDAs established in Allen County, Evansville, Huntingburg, and South Bend (the Marion County/Indianapolis area is established under a separate statute and is unaffected by this bill). This provision is not expected to result in the creation of a PSCDA that would not otherwise be established. The bill also provides that no more than one PSCDA may be created in a county.

This bill also provides that a facility in a PSCDA other than a professional sports arena must be a certain specific type of facility, not only one used directly for convention and tourism events as is required under current law. The newly allowable facilities would include airports, museums, zoos, nationally significant attractions, performing arts venues, and county courthouses listed on the National Register of Historic Places. This bill also provides that the taxes that would be captured in a PSCDA would be those attributable to the operation of qualified facilities. If a broader group of facilities could be included in a development area, additional revenue generated by these facilities may be captured. Money in the PSCDA fund could be used to construct, equip, or finance capital improvements for any facilities included in an area.

This bill would require all PSCDAs to contain a professional sports facility (except for the Allen County PSCDA). The bill clarifies that if a PSCDA that contains multiple facilities, these facilities may have different owners provided they are all eligible owners. If multiple owners exist, this bill would further require the parties involved to establish an agreement specifying the distribution of tax revenues collected for the PSCDA fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Under current law, food and beverage taxes and local option income taxes earned in PSCDAs are also captured for capital improvement, and there is no limit on the amount of local taxes that may be captured. However, this bill removes food and beverage taxes from the list of "covered taxes" so that food and beverage tax revenue would no longer be captured by PSCDAs. After July 1, 2000, a PSCDA in an area where a food and beverage tax is imposed would be unable to capture revenue from this tax. Only the Allen County and Evansville PSCDAs would be affected by this revenue loss.

In FY 1999, $16,437 in Allen County Food and Beverage Tax revenue was captured in the Allen County PSCDA. The amount of Vanderburgh County Food and Beverage Tax revenue captured in the Evansville PSCDA is not available at this time. However, based on the amount of state sales tax collected in the area, the amount of Vanderburgh County Food and Beverage Tax revenue captured in FY 1999 is estimated to be no more than $2,500.

Offsetting impacts may occur due to this bill's expansion of the category of facilities which may be included in development areas. PSCDA funds may increase by the full amount of additional COIT, CAGIT, and CEDIT revenue any new facilities generate. The increase in revenue would be directed to the PSCDA instead of other local taxing units in the county as provided under current law.

State Agencies Affected:

Local Agencies Affected: Local units of government.

Information Sources: State Budget Agency, Department of State Revenue.